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New York (N.Y.)

Board of Estimate...

In the matter of the action
of the Board of Aldermen...

[New York]

[1911]

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November 28, 1911.

**IN THE MATTER OF THE ACTION OF THE
BOARD OF ALDERMEN ON THE APPROPRIATION FOR EFFICIENCY STUDIES
IN THE BUDGET FOR 1912.**

Hon. WILLIAM J. GAYNOR,

Mayor.

City of New York.

SIR—The undersigned members of the Board of Estimate and Apportionment respectfully request your veto of the action taken by the Board of Aldermen in striking from the budget the appropriation of \$220,000 included therein by the Board of Estimate and Apportionment for the purpose of preparing the budget for 1913 on a more scientific basis. With this appropriation it was proposed to conduct during the coming year, with a view to scientific budget preparations, efficiency studies, including the standardization of salaries and wages, and a further inquiry into the educational needs and methods of the City, and to continue the well-established program of budgetary publicity.

Preliminary to setting forth specific reasons why your Honor's veto of the action of the Board of Aldermen is thought merited, may we ask that you consider the legality of the method by which that Board sought to strike out the appropriation in question?

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PRELIMINARY CONSIDERATION.

In attempting to strike out the appropriation for efficiency studies the Board of Aldermen exceeded their powers with respect to the budget as vested in them by section 226 of the Charter.

Section 226 of the Charter specifically provides that the Aldermen may reduce but not increase non-mandatory items of the budget, and that they may not "*insert any new items.*"

In adopting the report of its finance committee, the Board of Aldermen adopted that committee's recommendation to strike out, under the heading "Contingencies, Code No. 1390," the words and figures "*for expenses including expert service for the work of budgetary appropriations (preparation), budgetary publicity and the standardization of salaries, wages and grades, \$220,000,*" and to insert in lieu thereof the words and figures "*Contingencies, \$12,000.*"

The appropriation as made by the Board of Estimate read as follows:

Code No. 1390. For expenses including expert services for the work of budgetary appropriation (preparation), budgetary publicity and the standardization of salaries, wages and grades, \$220,000.

This appropriation with Appropriation No. 1391 was made under the general caption of "Contingencies" in the allowances for the Board of Estimate and Apportionment. No appropriation was made for Contingencies *per se*, the description of Appropriations Nos. 1390 and 1391 being specific restrictions placed upon the use of funds provided for contingent purposes.

The Board of Aldermen may not insert an appropriation entitled "Contingencies" only, because to do so

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would be to insert a new item in contravention of the Charter. Such action would also be illegal because it would, in effect, vary the conditions under which the appropriation for contingent expenses was made. Under Section 226 of the Charter the Board of Aldermen may not vary the "terms and conditions" of the budget as prepared by the Board of Estimate and Apportionment.

It would seem, therefore, that the attempt of the Board of Aldermen to substitute an appropriation for contingencies without the qualifications laid down by the Board of Estimate for the appropriation for contingent expenses cannot succeed. Inasmuch as the Aldermen may not vary the terms or conditions of appropriation, they may not strike out the words of limitation on the use of this allowance inserted in the budget by this Board of Estimate and Apportionment unless the entire allowance is stricken out.

The following arguments are offered in support of the appropriation as originally inserted in the Budget for 1912.

I.

The appropriation is necessary because the studies which it will make possible are indispensable to scientific budget-making.

The work of budget-making cannot be performed satisfactorily in the short time elapsing between the submission of departmental estimates and the statutory limit for the adoption of the budget by the Board of Estimate and Apportionment. Budget-making, to be thorough, must proceed throughout the year. This is particularly true at this time when adequate processes are not provided for obtaining needed information as to services rendered and unit costs, and when such information must be secured, if at all, by special inquiry.

In making budgetary determinations under present methods the Board is often compelled to arbitrary action.

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\$1915

Until systematic studies are made of the problems of each department and standards of efficiency established for each branch of departmental service, arbitrary action will continue.

During the past four years great progress has been made in budget-making. This progress, however, has chiefly been in the direction of clarity and definiteness in making appropriations. Slower progress has been made in obtaining information upon which to determine the amounts of appropriations. The time has come for putting forth decisive efforts in the direction of obtaining cost data and efficiency records. It has now become imperative that the Board, having put into effect a form of budget which enables financial officers, administrators and the public to know clearly the purposes for which money is appropriated, should equip itself to measure and test the allowances which are made in the budget. To do this properly scientific examination is necessary of the organization maintained to perform the services for which the budget makes provision, and methods employed in carrying out each branch of City work.

Studies of this character will result in economies through improvement in method, avoidance of duplication and other unnecessary work, and systemization of processes. This has been the experience throughout the City government where studies of this character have been made, and it is the invariable experience in private enterprise when action is taken upon information and not upon guess work.

The proposed studies will not only provide data for the budget of 1913, but will furnish the basis for obtaining currently cost data and other facts regarding departmental services and needs. Scientific budget-making must be linked with close observation of the manner in which the budget is administered after it is voted. In exercising its power of conditional appropriation the Board assumes the obligation of learning whether its conditions are feasible and whether they are lived up to. In exercising

its power of transfer the Board should act with fullest information, in order that those adjustments may result in greater efficiency of service.

The plan proposed provides a basis for co-operation among all branches of the City government under the leadership of the Board of Estimate and Apportionment, in attaining an end commonly desired, namely, economy and efficiency of administration.

II.

The appropriation should be restored to the budget because it makes it possible for the Board to establish as a part of its own organization a budget-making division.

As now constituted, the Board of Estimate and Apportionment has no staff to assist it in its most important financial act—the preparation of the annual budget. For information upon which to base its appropriations the Board relies upon agents of the Comptroller. It is admitted that the Board should have in its own hands the means of obtaining information upon which to base its budget conclusions. There is no statutory compulsion upon the Comptroller to make the analysis of the budget which during recent years he has undertaken in behalf of the Board of Estimate and Apportionment. The staff which the Comptroller employs for this purpose is needed at other times of the year for routine work in the Department of Finance. It is not therefore available for the purposes which are contemplated in the appropriation.

To deny the Board's right to establish a budget-making staff is to deny its right to deal with the budget intelligently as a Board. In appropriating upwards of \$100,000,000 annually for departmental purposes, the Board of Estimate wittingly or otherwise must pass upon

thousands of questions of policy affecting the growth and welfare of the City. Without adequate information it must act either blindly or adversely to the City's interests. To over-appropriate, under-appropriate, or to appropriate wrongly is to work incalculable injury to the City. It is safe to say that throughout the budget, because of lack of adequate information, many times the amount requested for budgetary studies, though unwittingly, has been improperly voted by the Board of Estimate and Apportionment. *Budget-making is a science and should be dealt with scientifically. It is the responsibility of the Board of Estimate and Apportionment, and it is a responsibility which the Board should be allowed to discharge. It cannot discharge it without adequate means of obtaining information.*

III.

To strike out the appropriation for efficiency studies will postpone New York City's taking steps which are essential to its financial welfare and business reputation.

Throughout the country interest has awakened in the application of the principles of scientific management to practically every kind of industrial and business activity.

President Taft has organized a commission on economy and efficiency to apply efficiency methods to the business of the Federal Government. In New York City only a beginning has been made in this direction. In the appointment of the standardization commission, the Board of Estimate and Apportionment took the first definite step to apply efficiency principles to City business through establishing standards for and controlling purchases of supplies aggregating \$20,000,000 annually.

Efficiency studies have in the past been conducted in some of the departments in connection with the work of

sewer and paving gangs, with the result that the cost of cleaning sewer basins was reduced from \$4.17 per basin to \$1.90 per basin, and greater efficiency was obtained in paving work.

Systemization in the collection of water revenues under the direction of Commissioner Henry S. Thompson resulted in an increase in 1910 over 1909 of \$2,033,080.68, as against an increase in 1908 over 1907 of \$81,666. Efficiency methods applied to the water revenue bureaus resulting in a permanent increase of \$2,000,000 in revenues, if applied to other branches of the City's service will effect corresponding increases in revenue or corresponding reduction in costs of operation.

Here and there in other departments like effort is being made. The extent to which these methods have been introduced, however, is far from being commensurate with the opportunities that exist for their application. It is the purpose of the Board of Estimate and Apportionment to learn how far the startling benefits of scientific management and efficiency methods in private enterprise may be obtained in public business, and what, if any, obstacles exist to their successful practice in the conduct of City work.

Commissioner Fosdick has estimated that the application of efficiency methods to New York City's payrolls will result in a saving of \$15,000,000 a year. Even if the result of the first year were one-tenth of the amount so estimated, it would return many times over the amount of the proposed first year's expenditure in efficiency studies. Reorganization of accounting methods during the past six years, the gradual systemization of departmental business, standardization of supplies, such efficiency work as has been conducted by various departments and agencies, has laid the foundation for the execution of a comprehensive plan which it is now proposed to inaugurate.

In making appropriations the Board of Estimate and Apportionment cannot grant funds on any other assump-

tion than that the work for which such funds are allowed is to be performed with maximum efficiency. To make appropriations on any other basis would be to promote waste and inefficiency. The Board must take cognizance of the fact that the methods of the business world are rapidly undergoing a revolution; that the work of the City of New York is not now performed under modern methods of greatest efficiency; that appropriations as now required are estimated on the basis of obsolete and inefficient methods; and that by so far as this is true, public funds are wasted.

In establishing a budgetary staff it is proposed to correlate and bring into harmony the various efforts now being put forth to achieve greater economy in the conduct of the City's business. The Board should take cognizance of all such efforts and avail itself of them in the furtherance of its efficiency programme. Without correlation, inevitable duplication will arise, as, for example, the reorganization work conducted under the authority of the Comptroller and that done by the Commissioner of Accounts, and progressive steps taken in one department will fail to be called to the attention of other departments where, if similar measures were introduced, economies would follow.

To obtain uniformity in expense accounting, uniformity in storekeeping, uniformity in methods of purchase and inspection of deliveries, uniformity of equipment where like equipment is required, would in itself produce economies many times in excess of the amount requested by the Board of Estimate. A mere comparison of costs in like work done by different departments shows the widest variation. This variation must be due among other causes to difference in methods of work. Advanced and efficient practices adopted by one department are not now communicated to others. This city is paying a variety of rates for like service. Simple illustrations are the cost of sewer cleaning, the cost of hiring carts and the wages

of day laborers. Practically as many different prices are paid for the same supply as there are departments purchasing supplies. *There is no standardizing agency established in the city government. The place for such a standardizing agency is in the Board of Estimate and Apportionment, because the Board of Estimate and Apportionment makes appropriations which are the foundation of departmental work.*

It is imperative that the loose ends of constructive work already initiated should be brought together. To bring them together a staff is required, and for this purpose, among others, the appropriation of \$220,000 is desired.

IV.

The appropriation should be allowed because in no other way may the Board establish standard costs for various classes of public work, and without standard costs it cannot make just and proper budgetary allowances.

For every class of work which the City does the City now pays a definite amount per unit of service rendered. What most of these amounts are no one knows. With few exceptions cost records are not kept. Not only is it true that for every class of work performed the City now pays a definite cost, but it is also true that for every class of work performed there is a right cost and a wrong cost. What the right cost is no attempt has been made to find out. The Board of Estimate does not know, department heads do not know. Wasteful methods, inefficient employees, poor equipment, wrong equipment, bad organization, all produce high cost. They are all factors which may be eliminated by administrative adjustment. If the Board did nothing else with the proposed appropriation

of \$220,000 than learn for five or six major branches of the City's service what present unit costs are and what standard costs should be, it would point out opportunities for economy many times the amount of the proposed appropriation.

V.

The appropriation is required among other things to enable the Board to standardize salaries.

The Board of Estimate has a dual responsibility with respect to salaries. Under the Charter it is required, first, to fix them, and subsequently to make appropriations for their payment. Insistent demands are made upon the Board for adjustment of salaries. The Board must now proceed with respect to them practically blindly and without reference to the claims of classes of city employees other than those whose salaries are under immediate consideration.

One single item among the manifold requests now pending before the Board, that for employees of the fire department, involves \$730,000, upwards of three times the amount requested for all efficiency studies.

In appropriating money for salaries and wages the Board now votes in various departments like sums for varying kinds of work and varying sums for practically the same kind of work. There are no work standards established. Titles are practically meaningless with respect to the quality and quantity of work to be done. In one department allowance may be made for a \$3,000 employee, who would be called upon to do work twice as difficult or twice in volume of that required of a \$3,000 employee in another department. To standardize the salaries of a single class of employees, as, for example, engineers, alone would justify the proposed expenditure for this work.

The City cannot close its eyes to the need for a uniform pension policy nor an equitable scheme of promotion that will encourage merit and put a premium upon endeavor. The Board is continually called upon to adjust salaries to permit of promotions. It has now no criteria upon which to judge of the merit of requests so made. There should be established uniform efficiency records which will provide complete information regarding the character of service rendered by each employee. Suitable records cannot be devised without study. Problems having to do with pension, promotion, fixation of rates, are all pressing for attention. To postpone them will mean to continue existing inequalities, to breed discontent among the City's employees, to withhold encouragement to efficient service which is justly due and whose recognition will promote departmental efficiency.

The Board has for two years declined to provide allowances for salary increases in the budget on the ground that it was first necessary to learn the facts regarding the City's salary lists. It will have to continue to postpone all salary increases until facts are obtained. If the required funds for standardization are not allowed, the Board must adhere to its present policy of declining to make salary increases which, though apparently merited by the recipients, may mean discrimination against many others equally deserving, whose claims are not presented to its consideration. At the same time it will be forced to continue making excessive provision for other classes of employees resulting in waste of public funds.

Each day's delay in the work of standardizing costs the city in the end infinitely more than the amount of appropriation requested to begin the work of standardization. *It is a significant fact that the daily disbursement for salaries and wages by the City of New York is in round figures \$200,000, approximately the total amount requested for the work of standardization.*

VI.

To deny the allowance for efficiency studies will be to put a stop to the school inquiry admittedly needed and promising far-reaching results.

The inquiry into the methods and needs of the schools of the city has been in progress scarcely six months. It has already confirmed the Board's judgment that a study of this character will be beneficial to the schools. The allowance of the Board of Education is practically one-sixth of the budget. Each year the Board of Education requests an allowance of many millions in excess of what it subsequently receives and find practically adequate to its needs. In making reductions from requests to allowance, the Board of Estimate is called upon to exercise its discretion and judgment with respect to many delicate and difficult problems. It cannot exercise this judgment intelligently unless it has a policy with respect to schools and definite facts regarding the working out of that policy. To help it frame a policy the Committee on School Inquiry has called to its aid leading educational experts. They are now engaged, directed by Paul U. Hanus, head of the Department of Education, Harvard University, on a study of various aspects of the school problem, both educational and financial, in which the following are some examples:

Present methods of preparing the budget of the department of education, known to be lacking in precision and not based on adequate data, a condition which has resulted in over-estimates and miscalculations

The part-time problem, that has defied partial solution and as yet not fully studied

The promotion problem, never studied currently heretofore

The method of determining the need and location of new schools, which, for failure to use obtainable information, located buildings in the wrong places

The intermediate school as an educational device and method of economy, and why it is not generally established

The enforcement of the compulsory attendance law
The organization and business methods of the Board of Education as a body and the efficiency of the methods of the Board as a whole

The work of the board of superintendents in carrying out the school policy

The work of the board of examiners in standardizing teachers' efficiency

The value of local school boards

The efficiency of district superintendents

The efficiency of the principle of elementary schools and whether it can be improved

The efficiency of elementary school teachers and whether it can be increased

The efficiency of high-school teachers and whether it can be increased

The adaptation of course of study in the elementary schools to the needs of community

The course of study in the high-schools

The adequacy and efficiency of present vocational schools

The unmet needs of the city for vocational education

The extent and effectiveness of community co-operation with the school system.

Progress has already been made in many of the lines above enumerated and reports in process of formulation convincingly demonstrate the benefits of the comparatively slight expenditure made for this purpose.

To stop the inquiry at this time would be to put a check to a programme already formulated for giving the Board of Estimate and Apportionment and the Board of Education a common policy upon which the development of the public school system of the city may be based.

VII.

Granting the appropriation will not mean that competent City employees are not to be used.

So far as possible the suggestion of the Aldermen that competent employees are to be found for the work of standardization among the city's 60,000 employees will be availed of. Indeed, had it not been planned to depend upon persons already in the city's employ for a large part of the work, no such program as that herein outlined would have been thought possible of execution within the limits of the funds provided. But special experts will be needed. Leadership and clerical assistance will be needed and those items will cost money. Where among volunteers or city employees will experts be found competent to study all the many phases of the school system? It is proposed to invoke volunteer aid. Provision was made for the advisory assistance of citizens in the resolution authorizing the studies.

The aid of the Commissioner of Accounts will be welcomed. But the energies of the Commissioner of Accounts should continue to a large degree to be directed towards routine audits and special investigations. This work is important, is required by statute and cannot be neglected. Moreover, the staff engaged upon the work of the Board of Estimate and Apportionment must be subject to the direction of that Board. From the nature of the case this

cannot be so of the Commissioner of Accounts' staff. The work of budget preparation must be continuous and subject to no emergent interruptions such as frequently arise in the duties of the Commissioner of Accounts.

The Board should not be asked to rely on an agency not under its control and whose statutory duties are not within the scope of the Board's powers. The office of the Commissioner of Accounts has its distinct functions, but it is not the function of the Board of Estimate.

VIII.

To strike out the appropriation will mean the cessation of the budget publicity program, notably successful in the last two years.

The budget exhibit and the accompanying effort on the city's part to spread the facts regarding departmental estimates before the public has invoked unprecedented public interest in budget-making. It has inspired public confidence in the Board's avowed program to make the budget in accordance with approved methods. It may be that the budget exhibit will be given in modified form in 1912, in order to inaugurate a permanent means of exhibiting City programs and financial requirements to the public. It was intended to take the first steps in 1912 towards establishing a permanent municipal exhibit.

Public education in municipal matters is not an extravagance; it is a saving and a far-reaching one. The Board of Aldermen in striking out the appropriation for budgetary publicity has practically declared that the programme so successfully worked out during the past two years should be abandoned. It is not believed that this

course will meet with the approval of intelligent and public-spirited taxpayers and citizens.

Respectfully submitted,

WM. A. PRENDERGAST,	JOHN PURROY MITCHEL,
<i>Comptroller.</i>	<i>President, Board of</i>
GEORGE MCANENY,	<i>Aldermen.</i>
<i>President, Borough</i>	ALFRED E. STEERS,
<i>of Manhattan.</i>	<i>President, Borough</i>
CYRUS C. MILLER,	<i>of Brooklyn.</i>
<i>President, Borough</i>	GEORGE CROMWELL,
<i>of The Bronx.</i>	<i>President, Borough</i>
	<i>of Richmond.</i>

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